

AGENCY MEMBERS PRESENT

Dr. Gene Caldwell, Chair
Carl Koella, III, Vice Chair
Bryan Atchley
Peggy Troy
Dr. E. Conrad Shackleford, designee for the TennCare Director
Faye Weaver, designee for the Comptroller of the Treasury
Greg Lammert
Dr. Charles Handorf

AGENCY MEMBERS ABSENT

Kristin Coile, Designee for the Commissioner of Commerce and Insurance

AGENCY STAFF PRESENT

Melanie M. Hill, Executive Director
Mark Farber, Assistant Executive Director
Reid A. Brogden, General Counsel
Jim Christoffersen, Deputy General Counsel
Rhonda Blair, Office Manager
Melissa Bobbitt, Administrative Services Assistant
Sue Kerley, Administrative Services Assistant

GUESTS PRESENT

Anderson, Robert, Director of Radiology, Jellico Community Hospital
Bealor, Wanda
Biggs, Jeremy H., Assistant Vice-President, St. Mary's Health System
Brown, Dere, NHC
Campbell, Scott, Health Management Associates, University Medical Center
Clement, Bob, Bob Clement Consulting
Coates, Robyn, Memorial Health System
Crawford, Mark W., CEO, University Medical Center
Curtis, Sandra, Director of Planning, Memorial Healthcare System
Dann, Jan, St. Mary's Health System
Day, Ed
Delp, Benjamin, BBS
Dixon, Howard, Military CBHCO
Downey, Don, Administrator, Stones River Hospital
Elrod, Dan, Esq., Miller & Martin
Ewing, Corey, University Medical Center
Garfield, Michael, COO, Centennial Medical Center
Gayler, Allan, Memorial Health System
Giovanetti, Victor, Southern Hills Medical Center
Gromes, John, Turner Construction
Hebbeler, Angela S.
Houchin, Barbara, Saint Thomas Health Services
Hutchens, Zach, M.D., Hickman Community Hospital
Jeannette, Joanie, University Medical Center
Karlin, Bob, Dr., Tennessee Sports Medicine
Keller, Jack, Administrator, Hickman Community Hospital
Kilpatrick, Sue, Administrator, Chattanooga Imaging
King, Darrell, East Tennessee Medical Group

Kumatz, David, SRHS
Limyansky, Robert, The Strategy House
Lodge, Richard, Esq., Bass, Berry & Sims PLC
Looney, Kim Harvey, Esq., Waller Lansden Dortch & Davis PLLC
Lucchesi, Jane Director, Service Line Planning, Methodist Healthcare
Maples, Arthur, Director, Strategic Analysis, Baptist Memorial Health
Mazzoni, Dean, COO, University Medical center
McDaniel, Trish, St. Mary's Health System
Moore, Debra L., VP OPS/Administrator, Memorial Health System
Moscardelli, Michael, Esq., Baker, Donelson, Bearman, Caldwell & Berkowitz
Noll, Douglas, Spine Surgery Association
Penny, Linda B., Comptroller's Office
Phillips, Bob
Piechocki, John, St. Mary's Health System
Reimer, Randall, CFO, Jellico Community Hospital
Rouholas, Jr., Marvin, Dr., V.P. Jellico Community Hospital
Sawyer, Cecelia, Administrator, Methodist Healthcare
Septimo, Rachel, St. Mary's Health System
Smith, Renaye, Administrator, Centennial Medical Center at Ashland City
Southwick, William, President, Surgical Health Partners, LLC
Taylor, Jerry W., Esq., Farris, Mathews, Branam, Bobango, Hellen, & Dunlap
Terry, Roy, Dr., Tennessee Orthopedics
Thompson, John, M.D.
Trauger, Byron, Esq., Trauger, Ney & Tuke
Wellborn, John, Consultant, Development Support Group
West, Steve, CLO, Methodist Healthcare
West, William H., Esq., Baker Donelson, Bearman, Caldwell & Berkowitz
White, Gregory, Tennessee Sports Medicine
Wood, H. Lee

Chairman Caldwell called the meeting to order at 8:30 a.m. at the Holiday Inn Select-Vanderbilt, Nashville, Tennessee.

DIRECTOR'S ANNOUNCEMENTS

Mark Farber, Assistant Executive Director, made general announcements, which included a reminder that in March the meeting location will return to the Bell South Tower for the remainder of 2005. Also plans are being made to conduct an in-service training exercise at the conclusion of the April, 2005 meeting. Mr. Farber announced that the application of InteCardia-Tennessee East Catheterization had been deferred until the March 23, 2005 meeting.

Mr. Farber also welcomed back Jeff Grimm who has filled the vacant Health Planner position.

CONSENT CALENDAR

Mr. Farber summarized the following Consent Calendar applications:

Centennial Medical Center at Ashland City (Ashland City, Cheatham County) CN0412-109

The conversion of six (6) hospital beds to six (6) swing beds. CMCAC is seeking licensure as an eight (8) bed Critical Access Hospital. \$72,000.00

Jerry Taylor, Esq.; Renaye Smith, Administrator, Centennial Medical Center at Ashland City; Michael Garfield, COO, Centennial Medical Center; and John Wellborn, Consultant, were present in support of the project.

Mr. Farber noted this application met the criteria for Consent based upon: 1) Need – The need is demonstrated because the existing dually certified beds in the area are highly utilized by Medicaid, Level 1 recipients. This unit will be the only Level II Medicare skilled unit in the service area. Centennial Medical Center in Nashville closed its skilled nursing facility unit in January 2005 and will be a referral source for this unit; 2) Economic Feasibility – The project is financially feasible. The facility has operated at a loss as an out-patient facility and will most likely continue to operate at a loss as a Critical Access Hospital, however, the startup costs are low and the cost based reimbursement this unit will receive will help reduce the overall losses substantially; and 3) Orderly Development – This will also contribute to the orderly development of healthcare. The estimated average daily census of four (4) skilled patients will not adversely impact the existing nursing homes in the area and Medicare skilled Level II beds will be available in the community. The additional revenue generated by those beds will permit acute care services to be offered in a rural area.

Dr. Handorf moved for approval of the project based on the criteria for need, financial feasibility and orderly development as outlined by Mr. Farber. Mr. Koella seconded the motion. The motion CARRIED [8-0-0] **APPROVED**

AYE: Shackelford, Troy, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

Southern Hills Surgery Center (Nashville, Davidson County) CN0412-110

A change of site for the previously approved Certificate of Need CN0403-025A, for the establishment of an ambulatory surgical treatment center (ASTC) at 520 Recovery Road, Nashville. The ASTC will contain three (3) operating rooms and two (2) procedure rooms and will be located in an existing building located at 360 Wallace Road, Nashville. \$6,466,431.00

Jerry Taylor, Esq.; John Wellborn; and Victor Giovanetti were present in support of the project.

Mr. Farber noted this application met the criteria for Consent based on: 1) Need – The need was demonstrated in the originally approved CN0403-025A; 2) Economic Feasibility – Regarding economic feasibility, the cost of this project is significantly less than the original. Lower development costs and lower financing costs will significantly lower operating expenses and debt service; and 3) Orderly Development – This project does not affect other providers since it will relocate approximately fifty (50) percent of Southern Hill Medical Center's total surgery cases to a more accessible environment.

Dr. Shackelford moved to approve the application as presented with the need and financial feasibility and the contribution to orderly development as noted and that were essentially the same as when the original motion was approved and with the improvement of it being closer to the hospital than the previous site. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0] **APPROVED**

AYE: Shackelford, Troy, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

St. Mary's Medical Center (Knoxville, Knox County) CN0412-115

The conversion and redistribution of twelve (12) medical/surgical beds to adult psychiatric hospital beds to expand the existing Psychiatric Services from twenty-six (26) to thirty-eight (38) beds. The project will include renovation of 5,903 square feet. \$240,000.00

Mr. Farber noted this application met the criteria for Consent based on 1) Need – There is need for additional general adult psychiatric beds in the region. St. Mary's currently serves a significant TennCare population that will only increase as federal funding for free-standing psychiatric facilities is phased out; 2) Economic Feasibility – The project is financially feasible. It will be funded with cash reserves; and 3) Orderly Development -- It does contribute to the orderly

development of health care because it will make more psychiatric beds available to the TennCare population. This proposal is also supported by the Department of Mental Health and Developmental Disabilities.

Jerry Taylor spoke in support of the project.

Mr. Koella moved for approval based on 1) Need – The need is there especially for the growing TennCare population; 2) Economic Feasibility -- It is economically feasible with the cash reserves; 3) Orderly Development -- It is orderly. They are licensed and a TennCare provider. Dr. Shackelford seconded the motion. The motion CARRIED [8-0-0] **APPROVED**

AYE: Shackelford, Troy, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

CERTIFICATE OF NEED APPLICATIONS

Mr. Farber summarized the following CON applications:

Patient Partners Surgery Center (Gallatin, Sumner County) Tennessee -- CN0410-096

The establishment of a multi-specialty ambulatory surgical treatment center (ASTC). The ASTC will contain approximately 8,300 square feet with two (2) operating rooms, one (1) procedure room, a holding area for pre and post surgery patients, and support space. The project does not contain any major medical equipment and will not initiate or discontinue any health service. \$3,286,378.00. Deferred from January meeting.

Mr. Farber noted that Northridge Surgery Center had withdrawn their opposition.

William West, Esq., addressed the Agency on behalf of the project. Dr. John Thompson spoke in support of the project. Ed Day, Bob Phillips and William Southwick, President Surgical Health Partners, were present in support of the project.

Richard Lodge, Esq., withdrew the opposition on behalf of Sumner Regional Health System.

Dr. Handorf moved for approval of the application based on 1) Need – The need has been established through the exposition of growth in the County; 2) Economic Feasibility – Economic Feasibility is established through the economic breadth of the partnership and the ability to fund this; and 3) Orderly Development – It contributes to the orderly development in that part of the world and they are a TennCare provider. Ms. Weaver seconded the motion. The motion CARRIED [7-0-1] **APPROVED**

AYE: Troy, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None
ABSTAIN: Shackelford

Methodist Healthcare-University Hospital (Memphis, Shelby County) TN -- CN0411-099

The renovation of 17,992 square feet of space, and new construction of 2,505 square feet for a total of 20,497 square feet to update and modernize the hospital's surgical suite. The project does not include the acquisition of major medical equipment nor does it affect the licensed bed capacity of the hospital. \$8,515,283.00

Steve West, Esq., addressed the Agency on behalf of the project. Cecelia Sawyer spoke in support of the project. Jane Lucchesi was present in support of the project.

Mr. Koella moved for the approval of the application based on 1) Need – They need larger suites for advance surgical techniques and new technology. There is strong community support from throughout Shelby County; 2) Economic Feasibility – It is economically feasible with the cash

HEALTH SERVICES AND DEVELOPMENT AGENCY

FEBRUARY 23, 2005 MEETING

Page 4 of 8

reserves; and 3) Orderly Development – They are the largest TennCare provider in the state. The licenses are appropriate. Mr. Atchley seconded the motion. The motion CARRIED [6-0-0] **APPROVED**

AYE: Shackleford, Lammert, Koella, Weaver, Atchley, Caldwell
NAY: None
RECUSED: Handorf, Troy

Jellico Community Hospital (Jellico, Campbell County) TN -- **CN0411-100**

The conversion of an existing three (3) day per week mobile magnetic resonance imaging (MRI) service to a fixed unit and the initiation of a fixed MRI service to be housed in a modular building at Jellico Community Hospital. \$2,222,991.00

Byron Trauger, Esq., addressed the Agency on behalf of the project. Dr. Marvin Rouhotas, Jr., and Randall Reimer spoke in support of the project. Robert Anderson, Director of Radiology, Jellico Community Hospital, was present in support of the project.

Ms. Troy moved for approval of the project based on 1) Need – There is a need due to geography. They have access for TennCare and Medicare; 2) Economic Feasibility – It is economically feasible; and 3) Orderly Development – It contributes to the orderly development of healthcare. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0] **APPROVED**

AYE: Shackleford, Troy, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

Hickman Community Hospital (Centerville, Hickman County) TN -- **CN0411-101**

The initiation of magnetic resonance imaging (MRI) services one (1) day per week. The unit will be a leased mobile 1.0 T GE Signa Horizon MRI unit. \$503,550.00

Dan Elrod, Esq., addressed the Agency on behalf of the project. Jack Keller, CEO, and Dr. Zach Hutchens spoke in support of the project. Barbara Houchin, Saint Thomas Health Services, was present in support of the project.

Dr. Shackleford moved for approval of the project based on 1) Need – The need has been shown. There is not one available locally, and patients must travel to Dickson and Nashville. This will complement their CT services; 2) Economic Feasibility – They have cash reserves to cover the project costs; and 3) Orderly Development – It does contribute to the order development of healthcare in the area by adding this needed service. Mr. Lammert seconded the motion. The motion CARRIED [7-1-0] **APPROVED**

AYE: Shackleford, Troy, Lammert, Joella, Weaver, Atchley, Caldwell
NAY: Handorf

Memorial North Park Hospital (Hixson, Hamilton County) TN -- **CN0411-102**

The initiation of mobile lithotripsy services at the hospital for one (1) day per week using leased FDA approved equipment with the ancillary and support services necessary for the operation of this service. \$255,700.00

Dan Elrod, Esq., addressed the Agency on behalf of the project. Debra L. Moore, V.P. OPS/Administrator, Memorial Health System, spoke in support of the project. Sandra Curtis, Director of Planning, Memorial Healthcare System, and Allan Gayler were present in support of the project.

Mr. Koella moved for approval of the project based on 1) Need – There is a need that has been established by the guidelines and by the testimony on behalf of the doctors. It is for one day per week with the lithotripsy; 2) Economic Feasibility – It is economically feasible with the cash

reserves; and 3) Orderly Development – The licenses are appropriate and they are TennCare providers. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0] **APPROVED**

AYE: Shackleford, Troy, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

Tennessee Sports Medicine Surgery Center (Mt. Juliet, Wilson County) TN -- CN0411-103

The establishment of an ambulatory surgical treatment center (ASTC) consisting of one (1) operating room and two (2) procedures rooms limited to providing ambulatory surgery and pain management services to the patients of Tennessee Sports Medicine & Orthopedics, P.C. \$1,877,445.00

William West, Esq., addressed the Agency on behalf of the project. Dr. Bob Kaelin and Dr. Greg White spoke on behalf of the project. Bob Clement; Ray Justice, City Commissioner, Mt. Juliet; Angela Hebbeler; and Wanda Bealor spoke in support of the project.

Dan Elrod, Esq., representing University Medical Center, addressed the Agency in opposition to the project. Joanie Jeanette, Chief Nursing Officer, University Medical Center; Dr. Roy Terry, Tennessee Orthopedics; and Mark Crawford, CEO, University Medical Center, spoke in opposition to the project. Dean Mazzoni, COO, University Medical Center, was present in opposition to the project. Jerry Taylor, Esq., representing Summit Medical Center, confirmed the withdrawal of opposition by Summit Medical Center.

William West, Esq., rebutted.

Dan Elrod, Esq., provided summation for the opposition.

William West, Esq., provided summation for the applicant.

Mr. Koella moved for the approval of the project, limited to surgery and pain management of the patients of Tennessee Sports Medicine and Orthopedics and limited to one (1) operating room and two (2) procedure rooms, based on 1) Need – The need is clear with the growing population in the County and the unanimous support by the Mayor and City Council of Mt. Juliet; 2) Economic Feasibility – It is economically feasible with the commercial loan; and 3) Orderly Development – It does contribute to the orderly development. They are seeing patients outside the county who are not receiving treatment and are having difficulty getting treatment other places. They are licensed. They are taking more than their share of the TennCare burden. Mr. Atchley seconded the motion. The motion FAILED [4-4-0] **DENIED**

AYE: Koella, Weaver, Atchley, Caldwell
NAY: Shackleford, Troy, Lammert, Handorf

On behalf of those voting no, Dr. Handorf stated his reasons for voting no as follows: Although the applicants in this case clearly have their hearts in the right place in providing service to the people of their county, the need for a free-standing surgery center to take care of orthopedic patients in Wilson County has not been clearly and completely demonstrated at this time. The contribution to orderly development of healthcare in Wilson County is in question given the testimony the Agency has heard that other services, another surgery center perhaps, may be in the offing.

GENERAL COUNSEL'S REPORT

Chattanooga Imaging (Chattanooga, Hamilton County) TN -- CN0211-113A

Request to extend the expiration date from April 1, 2005, to August 1, 2005. This application was granted February 26, 2003, for the initiation of an in-office magnetic resonance imaging (MRI) service and the acquisition of MRI equipment.

Sue Kilpatrick, representing the Applicant, addressed the Agency on behalf of the request.

Ms. Troy moved to approve the extension of the expiration date from April 1, 2005 to August 1, 2005. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0] by unanimous voice vote.
APPROVED

Stones River Hospital (Woodbury, Cannon County) TN -- CN9911-099A

Request to modify CN9911-099 to increase service to two days per week. The CON was approved February 23, 2000, for the initiation of mobile magnetic resonance imaging (MRI) services one (1) day per week.

Don Downey, CEO, Stones River Hospital, addressed the Agency on behalf of the request.

Ms. Weaver moved to approve the request to increase service to two (2) days per week. Mr. Atchley seconded the motion. The motion CARRIED [8-0-0] by unanimous voice vote.
APPROVED

Mr. Brogden gave a brief report on the Bills involving the Agency that have been filed in the Legislature during this session.

Mr. Brogden updated the Agency on the status of the Rulemaking, noting the Rulemaking Hearing Rules have been sent to the Attorney General's Office for review.

CURRENT REPORTS

Statistical Reports

The reports were accepted into the record.

Finance, Ways and Means Committee Reports

The reports were accepted into the record.

Minutes

Mr. Koella moved for approval of the minutes of the January 26, 2005 meeting as written. Mr. Lammert seconded the motion. The minutes were accepted by unanimous voice vote [8-0-0]
APPROVED

OTHER BUSINESS

Melanie Hill reported that the Health Services and Development Agency's proposed budget was passed out of the Senate General Welfare Committee and will now go to the Finance Ways and Means. One additional position as a Statistical Analyst was proposed in this budget.

There will be in-service training April 27, 2005, at the conclusion of the regularly scheduled Agency meeting. Data on CT/PET/MRI will be presented by Blue Cross/Blue Shield. A representative from the Hospice Association will present information about hospice services. Also, as requested by the Agency, information will be presented about MRI/PET scanners as to the number in operation, their location, and utilization.

ADJOURNMENT

There being no further business, the meeting adjourned.

Melanie M. Hill, Executive Director

MMH:sk